

Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AID-05 EB-07 CIEP-01 TRSE-00 STR-04 OMB-01 CEA-01

ACDA-05 IO-11 COME-00 OES-03 IGA-02 ERDA-05 /101 W

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TO SECSTATE WASHDC 5157

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CINCPAC FOR POLAD

E.O. 11652: N/A

TAGS: MASS, KS

SUBJECT: PRESS REACTION TO ANNOUNCED END OF U.S. GRANT MILITARY
AID

1. LOCAL PRESS HAS GIVEN SUBSTANTIAL NEWS AND EDITORIAL
COVERAGE TO PROPOSAL CONTAINED IN PRESIDENT FORD'S
JANUARY 20 BUDGET STATEMENT TO END GRANT MATERIEL
MILITARY ASSISTANCE TO ROK BEGINNING IN FY 1977.

2. FOLLOWING CLARIFICATIONS FROM WASHINGTON, MOFA, MDN
AND EMBASSY OF ITS SURPRISED AND CONFUSED INITIAL REACTION,
PRESS HAS IN GENERAL BEEN RECEPTIVE TO CONCEPT OF GRANT
PHASE OUT AS BEING IN TUNE WITH ROK POLICY OF SELF-RELIANT
DEFENSE POSTURE AND HAS FOLLOWED THEME IN PRESIDENT PARK'S
STATEMENT DURING NEW YEAR'S VISIT TO DEFENSE MINISTRY THAT,
"WE EXPECTED SUCH AN EVENT TO TAKE PLACE A FEW YEARS AGO AND
HAVE TAKEN MEASURES TO MEET IT," (SEOUL 0585). AT SAME TIME
PRESS HAS ALSO EXPRESSED CONCERNS ABOUT CONTINUING NEED
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FOR ALTERNATIVE FORMS OF ASSISTANCE.

3. QUOTING INFORMED SOURCES CONSERVATIVE CHOSEN ILBO'S WASHINGTON CORRESPONDENT REPORTED THAT GRANT AID IS BEING TERMINATED IN ORDER TO REMOVE OBSTACLE TO CONGRESSIONAL APPROVAL OF NEEDED CREDIT SALES, WHICH ACCORDING TO WASHINGTON SOURCES WILL BE BETWEEN 250 AND 300 MILLION DOLLARS FOR FY '77. CHOSEN'S EDITORIAL, SAW NEED FOR KOREA TO STAND ON OWN FEET AND TERMED MOVE "BEGINNING OF NEW ERA," BUT WORRIED THAT GRANT PHASE-OUT CAME YEAR AHEAD OF SCHEDULE, THAT CONGRESS WOULD NOT COME UP WITH COMPENSATING FMS CREDIT, AND THAT NORTH COULD MISINTERPRET U.S. ACTION. CHOSEN ILBO NOTED ON OTHER HAND THAT TERMINATION GRANT AID COULD BE USEFUL TO ROK CONSIDERING INCONVENIENCE EXPERIENCED BECAUSE OF CONGRESSIONAL LINKAGE BETWEEN MILITARY AID AND HUMAN RIGHTS ISSUE.

4. WHILE THANKING U.S. FOR PAST MILITARY GRANT ASSISTANCE, POINTING OUT THAT LOSS OF GRANT ASSISTANCE WAS ANTICIPATED AND DIGESTABLE, AND TAKING PRIDE IN GREATER ROK SELF-SUFFICIENCY THAT SHIFT FROM GRANT TO CREDIT INDICATES, DONGA ILBO EDITORIAL STATED TERMINATION OF GRANT WOULD NONETHELESS HAVE SERIOUS IMPACT ON ROK. IN VIEW CONTINUING THREAT FROM NORTH AND INFANT STATE KOREAN INDUSTRIAL PROGRESS, TONGA THOUGHT TRANSITION TO CREDIT HAD TO BE HANDLED WITH GREAT CARE. KOREA'S LEADING INDEPENDENT HOPED THAT U.S. WOULD BE GENEROUS AND FLEXIBLE IN PROVIDING ALTERNATIVES BEFORE GRANT AID TERMINATED SO THAT EQUILIBRIUM BETWEEN SOUTH AND NORTH KOREA WOULD NOT BE BROKEN AND CALLED ON U.S. TO REALIZE THAT SELF-SUPPORTING NATIONAL DEFENSE NOT POSSIBLE WITHOUT SUPPORT OF DEVELOPED, I.S. U.S., ECONOMY. PAPER'S EDIT ALSO ASKED U.S. TO PROVIDE ECONOMIC ASSISTANCE IN PLACE OF MILITARY ASSISTANCE.

5. AFTER COVERING MANY OF ABOVE POINTS, CHUNGANG ILBO QUOTED WHITE HOUSE OFFICIAL AS SAYING HE NOT SURE IF TERMINATION GRANT WILL AUTOMATICALLY RESULT IN INCREASED CREDITS BUT SUCH SHIFT POSSIBLE. STATE DEPARTMENT OFFICIAL REPORTEDLY TOLD CHUNGANG THAT HE IS CONFIDENT CREDITS WILL INCREASE AFTER TERMINATION OF GRANT.
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